

TOWNSHIP OF SWEETWATER
Lake County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

| | | | |
|------------------------------------|---------------------------------------|---------------------------|--------------------|
| Unit Name* SWEETWATER | County* LAKE | Type* TOWNSHIP | MuniCode* 43-1-130 |
| Opinion Date-Use Calendar* 9-19-08 | Audit Submitted-Use Calendar* 9-22-08 | Fiscal Year End Month* 03 | Fiscal Year* 2008 |

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

| | |
|---------------------------------------|--|
| <input checked="" type="checkbox"/> ? | 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements? |
| <input checked="" type="checkbox"/> ? | 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets? |
| <input checked="" type="checkbox"/> ? | 3. Were the local unit's actual expenditures within the amounts authorized in the budget? |
| <input checked="" type="checkbox"/> ? | 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury? |
| <input checked="" type="checkbox"/> ? | 5. Did the local unit adopt a budget for all required funds? |
| <input checked="" type="checkbox"/> ? | 6. Was a public hearing on the budget held in accordance with State statute? |
| <input checked="" type="checkbox"/> ? | 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division? |
| <input checked="" type="checkbox"/> ? | 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act? |
| <input checked="" type="checkbox"/> ? | 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy? |
| <input checked="" type="checkbox"/> ? | 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.) |
| <input checked="" type="checkbox"/> ? | 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.) |
| <input checked="" type="checkbox"/> ? | 12. Is the local unit free of repeated reported deficiencies from previous years? |
| <input checked="" type="checkbox"/> ? | 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA |
| <input checked="" type="checkbox"/> ? | 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)? |
| <input checked="" type="checkbox"/> ? | 16. Has the board or council approved all disbursements prior to payment as required by charter or statute? |
| <input checked="" type="checkbox"/> ? | 17. To your knowledge, were the bank reconciliations that were reviewed performed timely? |
| <input type="checkbox"/> ? | 18. Are there reported deficiencies? 19. If so, was it attached to the audit report? |

| | |
|------------------------------|--------------|
| General Fund Revenue: ? | \$ 34,610.65 |
| General Fund Expenditure: ? | \$ 37,496.16 |
| Major Fund Deficit Amount: ? | \$ 0.00 |

| | |
|--|--------------|
| General Fund Balance: ? | \$ 82,587.20 |
| Governmental Activities Long-Term Debt (see instructions): ? | \$ 0.00 |

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

| | | | | |
|---|---|--------------------------------------|-------------------|------------------------------|
| CPA (First Name)* MARK | Last Name* CAMPBELL | Ten Digit License Number* 1101007803 | | |
| CPA Street Address* 512 N. LINCOLN, STE 100 | City* BAY CITY | State* MI | Zip Code* 48708 | Telephone* +1 (989) 894-1040 |
| CPA Firm Name* CAMPBELL, KUSTERER | Unit's Street Address* 10593 W. 40TH STREET | Unit's City* BRANCH | Unit's Zip* 49402 | |

TOWNSHIP OF SWEETWATER
Lake County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

September 19, 2008

To the Township Board
Township of Sweetwater
Lake County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Sweetwater, Lake County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Sweetwater's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sweetwater, Lake County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF SWEETWATER
Lake County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Sweetwater covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$99,307.20 for governmental activities. Overall total capital assets remained the same.

Overall revenues were \$43,718.86. Governmental activities had a \$3,345.51 decrease in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Fire Fund.

TOWNSHIP OF SWEETWATER
Lake County, Michigan
CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

| | <u>Total Governmental Activities 2008</u> |
|----------------------------|---|
| Current Assets | 91 695 |
| Capital Assets | <u>16 720</u> |
| Total Assets | <u>108 415</u> |
| Current Liabilities | 9 108 |
| Non-current Liabilities | <u>-</u> |
| Total Liabilities | <u>9 108</u> |
| Net Assets: | |
| Invested in Capital Assets | 16 720 |
| Unrestricted | <u>82 587</u> |
| Total Net Assets | <u><u>99 307</u></u> |

| | <u>Total Governmental Activities 2008</u> |
|-------------------------------|---|
| Program Revenues: | |
| Fees and Charges for Services | 2 582 |
| General Revenues: | |
| Property Taxes | 17 959 |
| Other Taxes | 1 272 |
| State Revenue Sharing | 17 493 |
| Interest | 3 848 |
| Miscellaneous | <u>565</u> |
| Total Revenues | <u>43 719</u> |
| Program Expenses: | |
| Legislative | 1 851 |
| General Government | 29 927 |
| Public Safety | 10 037 |
| Public Works | 2 703 |
| Other | <u>2 546</u> |
| Total Expenses | <u>47 064</u> |
| Decrease in Net Assets | (3 345) |
| Net Assets, April 1 | <u>102 652</u> |
| Net Assets, March 31 | <u><u>99 307</u></u> |

TOWNSHIP OF SWEETWATER
Lake County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Fire Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services, with total expenses of \$37,496.16.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities did not invest in capital assets this year.

The Township has no long-term debt at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

There are no known factors that could effect future operations.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Supervisor, Paul Bisford at (231) 898-2633.

TOWNSHIP OF SWEETWATER
Lake County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS: | |
| CURRENT ASSETS: | |
| Cash in bank | 89 315 69 |
| Taxes receivable | <u>2 379 72</u> |
| Total Current Assets | <u>91 695 41</u> |
| NON-CURRENT ASSETS: | |
| Capital Assets | 25 000 00 |
| Less: Accumulated Depreciation | <u>(8 280 00)</u> |
| Total Non-current Assets | <u>16 720 00</u> |
| TOTAL ASSETS | <u><u>108 415 41</u></u> |
| LIABILITIES AND NET ASSETS: | |
| LIABILITIES: | |
| CURRENT LIABILITIES: | |
| Accounts payable | <u>9 108 21</u> |
| Total Current Liabilities | <u>9 108 21</u> |
| NET ASSETS: | |
| Invested in Capital Assets, Net of Related Debt | 16 720 00 |
| Unrestricted | <u>82 587 20</u> |
| Total Net Assets | <u>99 307 20</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>108 415 41</u></u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SWEETWATER
Lake County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

| | <u>Expenses</u> | <u>Program Revenue</u> <u>Charges for Services</u> | <u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u> |
|--------------------------------------|------------------|---|--|
| FUNCTIONS/PROGRAMS | | | |
| Governmental Activities: | | | |
| Legislative | 1 851 06 | - | (1 851 06) |
| General government | 29 927 27 | 2 582 29 | (27 344 98) |
| Public safety | 10 036 62 | - | (10 036 62) |
| Public works | 2 703 42 | - | (2 703 42) |
| Other | 2 546 00 | - | (2 546 00) |
| Total Governmental Activities | <u>47 064 37</u> | <u>2 582 29</u> | <u>(44 482 08)</u> |
| General Revenues: | | | |
| Property taxes | | | 17 958 53 |
| Other taxes | | | 1 272 09 |
| State revenue sharing | | | 17 493 21 |
| Interest | | | 3 847 75 |
| Miscellaneous | | | <u>564 99</u> |
| Total General Revenues | | | <u>41 136 57</u> |
| Change in net assets | | | (3 345 51) |
| Net assets, beginning of year | | | <u>102 652 71</u> |
| Net Assets, End of Year | | | <u>99 307 20</u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SWEETWATER
Lake County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

| | <u>General</u> | <u>Fire</u> | <u>Total</u> |
|------------------------------------|------------------|-----------------|------------------|
| <u>Assets</u> | | | |
| Cash in bank | 70 655 01 | - | 70 655 01 |
| Taxes receivable | 1 320 22 | 1 059 50 | 2 379 72 |
| Due from other funds | <u>10 611 97</u> | <u>8 048 71</u> | <u>18 660 68</u> |
| Total Assets | <u>82 587 20</u> | <u>9 108 21</u> | <u>91 695 41</u> |
| <u>Liabilities and Fund Equity</u> | | | |
| Liabilities: | | | |
| Accounts payable | - | 9 108 21 | 9 108 21 |
| Total liabilities | <u>-</u> | <u>9 108 21</u> | <u>9 108 21</u> |
| Fund equity: | | | |
| Fund balances: | | | |
| Unreserved: | | | |
| Undesignated | <u>82 587 20</u> | - | <u>82 587 20</u> |
| Total fund equity | <u>82 587 20</u> | <u>-</u> | <u>82 587 20</u> |
| Total Liabilities and Fund Equity | <u>82 587 20</u> | <u>9 108 21</u> | <u>91 695 41</u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SWEETWATER
Lake County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2008

| | |
|--|-----------|
| TOTAL FUND BALANCES – GOVERNMENTAL FUNDS | 82 587 20 |
|--|-----------|

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

| | |
|--------------------------|-------------------|
| Capital assets at cost | 25 000 00 |
| Accumulated depreciation | <u>(8 280 00)</u> |

| | |
|--|------------------|
| TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES | <u>99 307 20</u> |
|--|------------------|

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SWEETWATER
Lake County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

| | <u>General</u> | <u>Fire</u> | <u>Total</u> |
|--|-------------------------|-----------------|-------------------------|
| Revenues: | | | |
| Property taxes | 8 850 32 | 9 108 21 | 17 958 53 |
| Other taxes | 1 272 09 | - | 1 272 09 |
| State revenue sharing | 17 493 21 | - | 17 493 21 |
| Charges for services- PTAF | 2 582 29 | - | 2 582 29 |
| Interest | 3 847 75 | - | 3 847 75 |
| Miscellaneous | 564 99 | - | 564 99 |
| Total revenues | <u>34 610 65</u> | <u>9 108 21</u> | <u>43 718 86</u> |
| Expenditures: | | | |
| Legislative: | | | |
| Township Board | 1 851 06 | - | 1 851 06 |
| General government: | | | |
| Supervisor | 5 527 86 | - | 5 527 86 |
| Elections | 655 22 | - | 655 22 |
| Clerk | 4 858 45 | - | 4 858 45 |
| Assessor | 5 684 11 | - | 5 684 11 |
| Board of Review | 342 00 | - | 342 00 |
| Treasurer | 7 824 76 | - | 7 824 76 |
| Cemetery | 95 00 | - | 95 00 |
| Township Hall | 4 479 87 | - | 4 479 87 |
| Public safety: | | | |
| Fire protection | - | 9 108 21 | 9 108 21 |
| Planning and zoning | 928 41 | - | 928 41 |
| Public works: | | | |
| Highways and streets | 2 100 00 | - | 2 100 00 |
| Street lighting | 603 42 | - | 603 42 |
| Other functions: | | | |
| Insurance | 2 546 00 | - | 2 546 00 |
| Total expenditures | <u>37 496 16</u> | <u>9 108 21</u> | <u>46 604 37</u> |
| Excess (deficiency) of revenues over expenditures | (2 885 51) | - | (2 885 51) |
| Fund balances, April 1 | <u>85 472 71</u> | <u>-</u> | <u>85 472 71</u> |
| Fund Balances, March 31 | <u><u>82 587 20</u></u> | <u><u>-</u></u> | <u><u>82 587 20</u></u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SWEETWATER
Lake County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

| | |
|--|------------|
| NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS | (2 885 51) |
|--|------------|

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

| | |
|----------------------|----------|
| Depreciation Expense | (460 00) |
| Capital Outlay | <u>-</u> |

| | |
|---|--------------------------|
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u><u>(3 345 51)</u></u> |
|---|--------------------------|

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SWEETWATER
Lake County, Michigan
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Sweetwater, Lake County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Sweetwater. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF SWEETWATER
Lake County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 1.8106 mills, and the taxable value was \$9,955,611.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF SWEETWATER
Lake County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|----------|----------|
| Building | 50 years |
|----------|----------|

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF SWEETWATER
Lake County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

| | |
|----------------|-----------------------------|
| | <u>Carrying Amounts</u> |
| Total Deposits | <u>89 315 69</u> |

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

| | |
|--------------------------------|--------------------------|
| | <u>Bank Balances</u> |
| Insured (FDIC) | 89 820 00 |
| Uninsured and Uncollateralized | <u>-</u> |
| Total Deposits | <u>89 820 00</u> |

The Township did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

TOWNSHIP OF SWEETWATER
Lake County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

| | Balance 4/1/07 | Additions | Deletions | Balance 3/31/08 |
|---------------------------------|-------------------|-----------------|-----------|--------------------|
| <u>Governmental Activities:</u> | | | | |
| Land | 2 000 00 | - | - | 2 000 00 |
| Building | 23 000 00 | - | - | 23 000 00 |
| Total | 25 000 00 | - | - | 25 000 00 |
| Accumulated Depreciation | (7 820 00) | (460 00) | - | (8 280 00) |
| Net Capital Assets | <u>17 180 00</u> | <u>(460 00)</u> | <u>-</u> | <u>16 720 00</u> |

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township does not issue building permits. Building permits are issued by Lake County.

Note 9 – Interfund Receivables and Payables

| <u>Fund</u> | Interfund Receivable | <u>Fund</u> | Interfund Payable |
|-------------|-------------------------|------------------------|----------------------|
| General | 10 611 97 | Current Tax Collection | 10 611 97 |
| Fire | 8 048 71 | Current Tax Collection | 8 048 71 |
| Total | <u>18 660 68</u> | Total | <u>18 660 68</u> |

TOWNSHIP OF SWEETWATER
Lake County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

| | Original Budget | Final Budget | Actual | Variance with Final Budget Over (Under) |
|--|--------------------|------------------|------------------|--|
| Revenues: | | | | |
| Property taxes | 8 500 00 | 8 500 00 | 8 850 32 | 350 32 |
| Other taxes | 4 000 00 | 4 000 00 | 1 272 09 | (2 727 91) |
| State revenue sharing | 17 500 00 | 17 500 00 | 17 493 21 | (6 79) |
| Charges for services - PTAF | 2 700 00 | 2 700 00 | 2 582 29 | (117 71) |
| Interest | 1 400 00 | 1 400 00 | 3 847 75 | 2 447 75 |
| Miscellaneous | 700 00 | 700 00 | 564 99 | (135 01) |
| Total revenues | <u>34 800 00</u> | <u>34 800 00</u> | <u>34 610 65</u> | <u>(189 35)</u> |
| Expenditures: | | | | |
| Legislative: | | | | |
| Township Board | 3 700 00 | 3 700 00 | 1 851 06 | (1 848 94) |
| General government: | | | | |
| Supervisor | 5 650 00 | 5 650 00 | 5 527 86 | (122 14) |
| Elections | 2 400 00 | 2 400 00 | 655 22 | (1 744 78) |
| Clerk | 5 750 00 | 5 750 00 | 4 858 45 | (891 55) |
| Assessor | 6 500 00 | 6 500 00 | 5 684 11 | (815 89) |
| Board of Review | 650 00 | 650 00 | 342 00 | (308 00) |
| Treasurer | 8 150 00 | 8 150 00 | 7 824 76 | (325 24) |
| Cemetery | 450 00 | 450 00 | 95 00 | (355 00) |
| Township Hall | 15 000 00 | 15 000 00 | 4 479 87 | (10 520 13) |
| Public safety: | | | | |
| Planning and zoning | 1 075 00 | 1 075 00 | 928 41 | (146 59) |
| Public works: | | | | |
| Highways and streets | 2 400 00 | 2 400 00 | 2 100 00 | (300 00) |
| Street lighting | 700 00 | 700 00 | 603 42 | (96 58) |
| Other functions: | | | | |
| Insurance | 2 800 00 | 2 800 00 | 2 546 00 | (254 00) |
| Total expenditures | <u>55 225 00</u> | <u>55 225 00</u> | <u>37 496 16</u> | <u>(17 728 84)</u> |
| Excess (deficiency) of revenues over expenditures | (20 425 00) | (20 425 00) | (2 885 51) | 17 539 49 |
| Fund balance, April 1 | <u>20 425 00</u> | <u>20 425 00</u> | <u>85 472 71</u> | <u>65 047 71</u> |
| Fund Balance, March 31 | <u>-</u> | <u>-</u> | <u>82 587 20</u> | <u>82 587 20</u> |

TOWNSHIP OF SWEETWATER
Lake County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended March 31, 2008

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|--|----------------------------|-------------------------|-----------------|--|
| Revenues: | | | | |
| Property taxes | <u>9 500 00</u> | <u>9 500 00</u> | <u>9 108 21</u> | <u>(391 79)</u> |
| Total revenues | <u>9 500 00</u> | <u>9 500 00</u> | <u>9 108 21</u> | <u>(391 79)</u> |
| Expenditures: | | | | |
| Public safety: | | | | |
| Fire protection | <u>9 500 00</u> | <u>9 500 00</u> | <u>9 108 21</u> | <u>(391 79)</u> |
| Total expenditures | <u>9 500 00</u> | <u>9 500 00</u> | <u>9 108 21</u> | <u>(391 79)</u> |
| Excess (deficiency) of revenues over expenditures | - | - | - | - |
| Fund balance, April 1 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance, March 31 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

TOWNSHIP OF SWEETWATER
Lake County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2008

| | <u>Balance</u> <u>4/1/07</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>3/31/08</u> |
|--------------------|---------------------------------|-------------------|-------------------|----------------------------------|
| <u>Assets</u> | | | | |
| Cash in Bank | <u>485 66</u> | <u>233 171 42</u> | <u>214 996 40</u> | <u>18 660 68</u> |
| <u>Liabilities</u> | | | | |
| Due to other funds | 485 66 | 18 506 43 | 331 41 | 18 660 68 |
| Due to others | <u>-</u> | <u>214 664 99</u> | <u>214 664 99</u> | <u>-</u> |
| Total Liabilities | <u>485 66</u> | <u>233 171 42</u> | <u>214 996 40</u> | <u>18 660 68</u> |

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

September 19, 2008

To the Township Board
Township of Sweetwater
Lake County, Michigan

We have audited the financial statements of the Township of Sweetwater for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Sweetwater in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Sweetwater
Lake County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants